

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

**Ohio Industrial Commission**  
**(H.B. 16 of the 128th General Assembly)**

*Nick Thomas, Budget Analyst  
Legislative Service Commission*

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## **READER'S GUIDE**

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for OIC, which includes the following three sections.

1. **Overview:** Provides a brief description of OIC and an overview of the provisions of the executive budget that affect the agency, including major new initiatives.
2. **Analysis of Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for OIC, including funding for each appropriation line item.
3. **Attachments:** Includes the catalog of budget line items (COBLI) for OIC, which briefly describes each line item, and the LSC budget spreadsheet for OIC.

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### **ATTACHMENTS:**

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item



# Ohio Industrial Commission

- Executive funding of \$60.8 million in FY 2010 and \$62.6 million in FY 2011
- Initial implementation of \$1.6 million "Workflow" application in FY 2010-FY 2011

## OVERVIEW

### Agency Overview

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC). Disputed claims typically involve conflicts over the extent of medical services provided or lost-time (otherwise known as indemnity) benefits. OIC operations are funded through an administrative assessment that is added to employers' workers' compensation premiums. OIC receives no GRF funding.

OIC is lead by a panel of three commissioners, all of whom are appointed by the Governor. Each commissioner must have at least six years of experience in workers' compensation and at least one member must be licensed to practice law in Ohio. One member must represent employees, one must represent employers, and one must represent the public. Each commissioner serves a six-year term.

### Appropriation Overview

The executive budget recommends OIC appropriations of \$60.8 million for FY 2010, a 1.5% decrease from FY 2009 appropriations of \$61.7 million. Recommended funding for FY 2011 is \$62.6 million, a 3.1% increase over the amount recommended for FY 2010. All OIC appropriations for FY 2010 and FY 2011 are funded by the Industrial Commission Operating Fund (Fund 5W30). As mentioned above, Fund 5W30 consists of revenues derived from administrative cost assessments collected by BWC and transmitted to OIC.

### Appropriations by Expense Category

As Chart 1 below indicates, 68.0% of OIC's appropriations for the FY 2010-FY 2011 biennium are slated for personnel costs. The second greatest planned expense is supplies and maintenance, at approximately 20.4% of recommended appropriations. Other costs — including transfers, equipment, and purchased services — make up the remaining amount.

**Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2010-FY 2011**

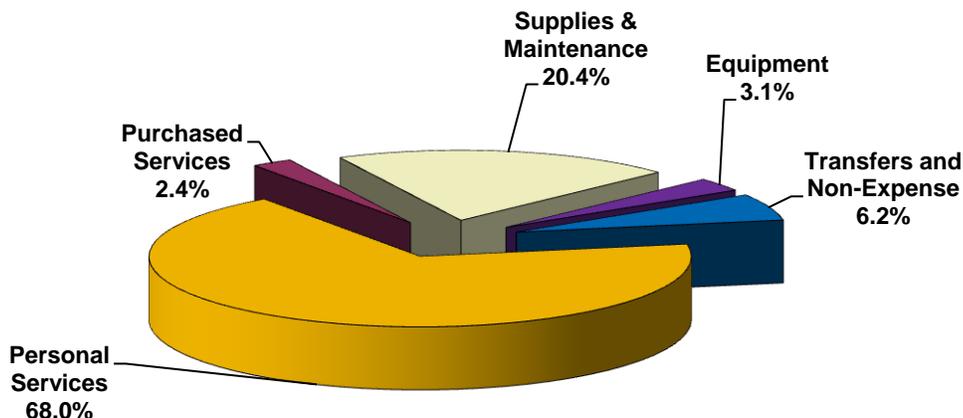


Table 1 below shows the staffing levels of the OIC over the last five fiscal years and the anticipated headcount for FY 2010 and FY 2011. Overall, staffing levels have decreased 24.4% since FY 1997, mostly through a combination of attrition and early retirement incentives.

Table 1. Ohio Industrial Commission Staffing Levels – Full-time Permanent Employees						
FY 2005	FY 2006	FY 2007	FY 2008	FY 2009 (estimate)	FY 2010 (estimate)	FY 2011 (estimate)
554	508	529	515	506	506	506

**Major Initiatives**

**Software and Telephone System Enhancements**

In the upcoming biennium, OIC plans to begin implementation of a \$1.6 million software system known as Workflow that will allow the adjudication process to become much more automated. Although the entire system will take several years to complete, an application dealing with continuations will come on-line in the FY 2010-FY 2011 biennium. This particular aspect of the application will enable those appealing a claim to request a continuation of their appeals on-line and will alert all affected parties such as OIC employees, injured workers, and employers when the continuation has been granted.

When fully implemented, Workflow will allow OIC to increase its efficiency by automating the distribution of assignments. The system is expected to automatically assign queued tasks to disengaged workers, regardless of their location. For example, an OIC employee in Dayton could type hearing orders for an appeal in Cincinnati.

OIC anticipates that this type of efficiency will allow it to reduce annual costs by \$1.3 million.

In addition, the executive recommendation will allow OIC to upgrade from a standard telephone system to an Internet, or VOIP, system. OIC anticipates spending \$307,305 in the upcoming biennium to purchase and install the necessary equipment. The upgrade is estimated to yield savings of approximately \$200,000 annually.

## ANALYSIS OF EXECUTIVE PROPOSAL

OIC has three line items, all of which are supported by administrative assessments paid by Ohio employers (including self-insured employers) that are applied to their workers' compensation premium payments. Assessments are collected by BWC and transferred upon receipt to Fund 5W30.

Governor's Recommended Amounts for OIC Claims Adjudication				
Fund	ALI and Name		FY 2010	FY 2011
<b>Workers' Compensation Fund Group</b>				
5W30	845321	Operating Expenses	\$50,838,924	\$52,838,924
5W30	845402	Rent - William Green Building	\$6,149,960	\$6,011,960
5W30	845410	Attorney General Payments	\$3,793,650	\$3,793,650
<b>Total Funding: Claims Adjudication</b>			<b>\$60,782,534</b>	<b>\$62,644,534</b>

### Operating Expenses (845321)

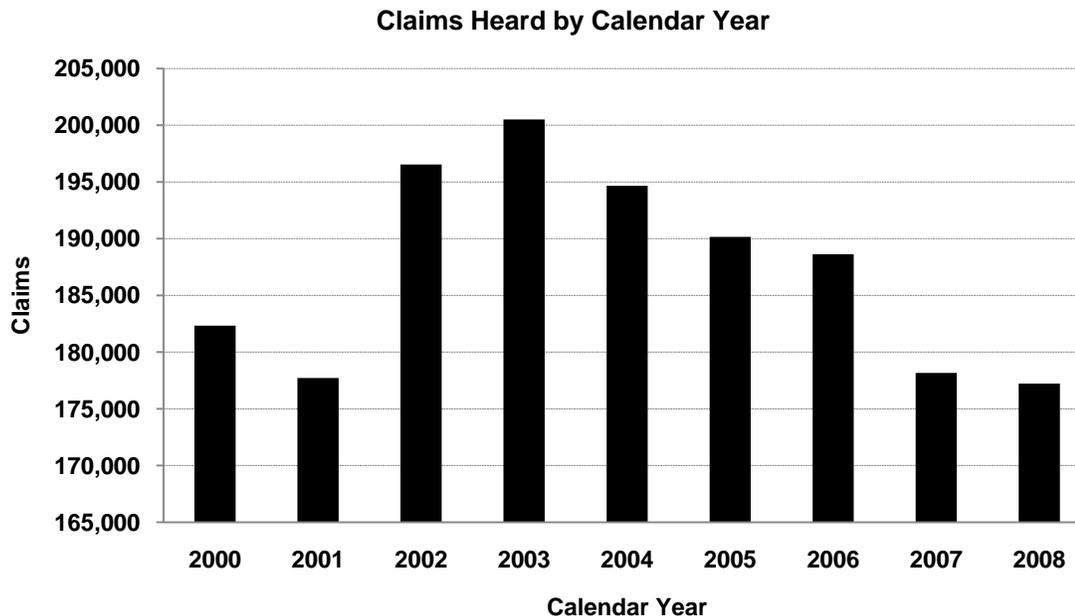
The executive recommends funding for this appropriation of \$50.8 million for this line item in FY 2010, a 1.8% reduction over FY 2009 levels. The recommendation for FY 2011 is \$52.8 million, a 3.9% increase over the amount recommended for FY 2010. The entirety of this appropriation supports claims adjudication. OIC provides adjudication in situations where employers or employees dispute a determination made on a claim by BWC. Disputed claims typically involve the extent of medical services provided or lost-time benefits.

#### Hearing Overview

Disputed claims can go through three levels of hearings. Injured workers or employers make an initial appeal to District Hearing Officers (DHOs). Second-level appeals are conducted by Staff Hearing Officers (SHOs). Hearings at these levels are conducted at the 16 OIC offices located throughout the state. Third-level appeals are conducted in Columbus by OIC's three-member panel of commissioners. Adjudication of third-level appeals is discretionary, based on criteria set forth in an OIC resolution. Typically, the panel hears unresolved cases that involve an issue of policy or special circumstances that they believe warrants further consideration. Further appeals are made in the court system.

### Hearings Caseload

The chart below shows the number of hearings conducted by OIC from CY 2000 to CY 2008.



In calendar year (CY) 2008, OIC heard approximately 177,223 appeals at all levels. This is a slight decrease (0.5%) over CY 2007 levels. The recommended funding will allow OIC to maintain current service levels and absorb increases in demand of up to roughly 10%, or up to approximately 194,945 hearings per year.

Section 4123.511 of the Revised Code requires OIC to adjudicate all first- and second-level appeals, with certain exceptions, within 45 days of the file of an appeal, and issue an order within seven days of holding a hearing. Of those appeals where these requirements applied in CY 2008, approximately 92.0% were processed within the required time limits. For the same period, the average time to process a claim and issue an order was roughly 31 days.

Injured workers that disagree with orders issued by OIC are able to present their claim in a court of law. A substantial number of these cases are resolved out of court. For example, a claimant may initiate court proceedings and then settle before a judge can issue an official opinion. Of those cases in which a judge does issue an official opinion, approximately 75% of OIC determinations are upheld.

**Rent – William Green Building (845402)**

The executive recommendation for this line item is \$6.1 million for FY 2010, a 2.4% reduction over FY 2009 levels. Recommended funding for FY 2011 is \$6.0 million, a 2.2% reduction compared to the amount recommended for FY 2010. This appropriation item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. So far in FY 2009, OIC has consolidated certain office space, lowering rental costs by approximately \$500,000 per year. OIC is planning on further consolidation in the upcoming biennium.

**Attorney General Payments (845410)**

The executive recommendation funds the line item at \$3.8 million in both FY 2010 and FY 2011, a 6.6% increase over FY 2009 levels. This line item funds half of the costs related to the legal services of the Attorney General's Workers' Compensation Unit; the remaining portion of the costs are paid by BWC. The Attorney General provides investigative and other legal services related to fraud cases.

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